



David W Delaine  
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To: Gene Lockhart/HOU/EES@EES  
cc:  
Subject: Confidential

Gene, as you may be aware, the risk management function in EES was running a wholesale proprietary trading function up until about a month or so ago. Enron management had determined that this was not appropriate given EES's business and charter. Given the volatility in the current power market, I completely agree with this stance. EES, and I would argue New Power as well, neither have the systems, people or processes to prudently manage active proprietary trading in the wholesale power markets. With the change in philosophy a number of people from the risk management group in EES have left to New Power. These same people had indicated that they believe that New Power was going to run a spec trading desk and as such preferred to work at New Power. Gene, this could be a lot of hallway talk, but I wanted to give you a heads up. Ignore or take whatever action you feel appropriate.

Regards  
Delaine

GOVERNMENT  
EXHIBIT

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